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# The Loan Arranger

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Fall 2000

Municipal Facilities Section - Environmental Assistance Division

Michigan Department of Environmental Quality 

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## Hardship Grant Assistance Now Available for Rural Communities

By Chip Heckathorn

Using a one-time federal appropriation from the Omnibus Consolidated Rescissions and Appropriations Act of 1996 (PL 104-134) and a required state match, limited funds (\$2.4 million) are now available to provide grants to rural communities in Michigan to help defray the cost of constructing municipal wastewater collection/treatment facilities. These funds will be made available by the Michigan Department of Environmental Quality (MDEQ), on a first come first served basis, to municipalities with qualifying projects who receive assistance from the United States Department of Agriculture, Rural Development's (RD) Water and Waste Disposal Direct and Guaranteed Loan/Grant Program. Hardship grant funding will cover the costs for engineering directly incurred for the planning and design of eligible projects in qualifying counties.

These funds were appropriated in order to provide incremental assistance to projects that would otherwise likely be unaffordable. Experience has shown that municipal wastewater problems in small communities can be significant and particularly where construction of collection and treatment is needed, often prohibitively expensive to remedy.

To qualify for hardship grant assistance, a municipality must:

- (1) Receive a commitment of RD assistance for a wastewater collection/treatment project;
- (2) Be a "rural" community with no more than 3,000 inhabitants;
- (3) Lack centralized wastewater treatment or collection;
- (4) Be located in a county with a per capita income that does not exceed 80 percent of the national average as determined by the last available U.S. Census; and

- (5) Be located in a county with an average unemployment rate that exceeds the national average by one percentage point or more for the July through June period preceding the start of the fiscal year.

Consistent with a Partnership Agreement between MDEQ and RD, hardship grants will be awarded by the MDEQ as an **initial obligation**. The obligation will cover the estimated fees that are to be incurred for planning and design and that are directly related to the project being constructed. The initial obligation will be made concurrently with the RD funding commitment. When RD concludes its grant/loan closing, the MDEQ will adjust the amount of hardship assistance to reflect actual incurred costs for the covered services. This adjustment will be effectuated with the issuance of an **order of approval** by the MDEQ, and full payment of the grant will immediately follow.

Questions concerning Hardship Grant Assistance for Rural Communities should be directed to:

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Municipal Facilities Section  
Environmental Assistance Division  
Michigan Department of Environmental Quality  
PO Box 30457  
Lansing, MI 48907-7957  
517-373-4718  
or  
Mr. Paul Miller, Program Director  
Rural Development  
US Department of Agriculture  
3001 Coolidge Rd. Suite 200  
East Lansing, MI 48823  
517-324-5206

## Interim Planning Loans

By Sonya Butler

Are you a small community with a population less than 10,000? Does your project appear on the current Drinking Water Revolving Fund Project Priority List? If so, in October you will be notified, by mail, of a new interim planning loan available to your community, per Public Act 147 of 2000, to cover planning costs.

The loan will be available each October, at the same interest rate used for the Drinking Water Revolving Fund (currently 2.5%) for five years. Principal and interest payments will be due annually in October. The maximum loan amount is \$100,000. For more information, contact the Municipal Facilities Section at 517-373-2161.

## Great lakes RCAP Establishes Safe Water Fund

The Great Lakes Rural Community Assistance Program (RCAP) now has a revolving loan fund to serve as a niche market for financing water and wastewater infrastructure projects. **Currently the loan fund is only available in Ohio**, however, the program will soon cover all states in RCAP's Great Lakes Region.

According to Julie Ward, program manager, the Great Lakes RCAP will serve as the lender for eligible projects, and the loans will be repaid to RCAP to relend for future projects. "Potential projects include equipment replacement and repair, gap financing, interim financing, predevelopment costs, land acquisition, and new source development," says Ward.

Eligible applicants include local units of government, as well as nonprofit and regional water and wastewater service providers. According to Ward, loan terms range from one to six years, the interest rates range from 4 to 6 percent, and the loans range from \$5,000 to \$250,000.

"The Safe Water Fund is a source of funding available with lower than market interest rates, and it is easier to access than other sources of federal and state funds," says Ward. "RCAP technical assistance providers will work with communities to complete the application and put together the total financing package, depending on the project's funding needs."

To learn more about the Safe Water Fund, contact Ward at 419-332-2074 or visit the Great Lakes RCAP Web site at [www.wsos.org/programs/glrcap.htm](http://www.wsos.org/programs/glrcap.htm)



## HAC Offers Predevelopment Loans

A small Water/Wastewater Loan Fund (W/WWLF) is available from the Housing Assistance Council (HAC) to finance predevelopment activities for water and wastewater systems in poor rural areas.

Eligible borrowers include local units of government, public utility districts, water and wastewater associations, and other nonprofit utility service organizations.

The W/WWLF may be used for:

- Preliminary engineering and technical studies, including soil, water, or drilling tests;
- Preliminary easement and water rights purchase;
- Legal expenses to establish utility districts;
- Bonding expenses;
- Interim financing of local share costs;
- Emergency repairs; and
- Acquisition of existing private systems for rehabilitation.

Loans are made for two-year periods, with zero percent interest the first year and 5 percent the second year. The loans also carry a 1 percent service fee.

According to John Frisk, director of HAC's loan fund, the W/WWLF is intended to provide only interim seed money. The HAC usually requires applicants to identify permanent funding sources for long-term project expenses.

The HAC is a national nonprofit corporation created to improve housing and living standards for low- and very low-income rural households.

To learn more about the W/WWLF or to obtain an application packet, contact Frisk at 202-842-8600.

## Funded Projects for Fiscal Year 2000

Another Fiscal Year has come to a close, with \$194,595,000 awarded to nine wastewater projects from the State Revolving Fund (SRF), and \$27,640,000 awarded to seven projects from the Drinking Water Revolving Fund (DWRf). To date, the SRF has assisted 174 projects with loans totaling \$1.25 billion. In the DWRf to date, \$132,255,000 has been awarded to 52 projects.

Following are the communities receiving loans in Fiscal Year 2000, with a brief description of the project and the loan amounts:

### SRF Projects

|                               |   |              |
|-------------------------------|---|--------------|
| Lansing                       | Sewer separation, Moore Trunk/Area K, Segment 12                    | \$ 9,805,000 |
| Port Huron                    | Sewer separation Segment 2  | \$ 5,230,000 |
| Wayne County-Downriver        | System Monitoring Project/Electronic Operation & Maintenance Manual | \$ 5,085,000 |
| Trenton                       | New pump station, relief sewers, interceptor upgrades, Segment 2    | \$16,535,000 |
| Detroit                       | Second Detroit River Outfall, Segment 2                             | \$53,475,000 |
| Port Huron                    | Sewer separation, Segment 3   | \$ 9,470,000 |
| Southfield                    | Sewer separation, Segment 3   | \$12,115,000 |
| Detroit                       | Add clarifiers, Segment 2   | \$65,000,000 |
| George Kuhn Drainage District | 12 Towns Retention/Treatment Basin Improvements, Segment 1          | \$17,880,000 |

### DWRf Projects

|                                |   |             |
|--------------------------------|---|-------------|
| Wixom                          | Segment 3, water main extension, pump station, tie-in to Detroit    | \$7,290,000 |
| Mount Clemens                  | Segment 3, replace mains, looping                                   | \$1,960,000 |
| Colon                          | New elevated storage tank, new well, replace mains, looping         | \$2,085,000 |
| Allendale Township, Ottawa Co. | New booster station, booster station improvements, main replacement | \$1,865,000 |
| Flint                          | Segment 2, upgrade and expand the water treatment plant             | \$8,035,000 |
| Mount Clemens                  | Segment 2, water treatment plant upgrade, disinfection              | \$2,075,000 |
| Sparta                         | New well, replace mains, looping, standby power                     | \$4,330,000 |

## Hello and Goodbye

**Sonya Butler** has joined the Municipal Facilities Section (MFS) to serve as manager of the Technical Support Unit, replacing Ed Moyer. Sonya transferred from the Michigan Department of Community Health (DCH). While at DCH, she held various roles; most recently as an accountant for the Office of Drug Control Policy. This position involved grant management of drug prevention programs within the state. Ms. Butler is an accounting graduate from Michigan State University, and also has experience as an auditor. Sonya is a great addition to the MFS.

**Jeff Spencer** has left the Municipal Facilities Section for a position in the Pollution Prevention Section of the Environmental Assistance Division. He is now serving as the coordinator for the Michigan Business Pollution Prevention Partnership program. This is a voluntary non-regulatory program that encourages businesses to initiate or improve their pollution prevention practices. We wish Jeff well in his new endeavor.

**PLEASE NOTE:** We are still waiting for the federal appropriation for the State Revolving Fund and Drinking Water Revolving Fund, before we can establish the Fiscal Year 2001 Fundable Range. As soon we know how much money we will have available, we will post the information on our Section web site. The web address is [www.deq.state.mi.us/ead/mfsect/](http://www.deq.state.mi.us/ead/mfsect/)



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